

QUARTERLY REPORT

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

For The Quarter Ended September 30, 2002

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

BALANCE SHEETS

SEPTEMBER 30, 2002 AND 2001

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	ASSETS		
	Current Assets:		
1	Cash and cash equivalents.	\$ 19,777	\$ 18,505
2	Short-term investments.	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 2002, \$ 6,744 ; 2001, \$ 10,511). NOTE 2.	9,467	11,590
4	Inventories.	1,369	1,660
5	Prepaid expenses and other current assets.	1,852	2,119
6	Total current assets.	32,465	33,874
7	Investments, Advances, and Receivables. NOTE 3.	11,586	10,167
8	Property And Equipment - Gross. NOTE 4.	542,291	533,746
9	Less: Accumulated Depreciation/Amortization. NOTES 1 & 4. .	(246,789)	(226,406)
10	Property And Equipment - Net.	295,502	307,340
11	Other Assets. NOTES 1 & 5. .	77,001	77,764
12	Total Assets.	\$ 416,554	\$ 429,145
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts payable.	\$ 1,903	\$ 3,208
14	Notes payable.	-	-
	Current portion of long-term debt.		
15	Due to affiliates.	-	-
16	Other.	-	-
17	Income taxes payable and accrued.	-	-
18	Other accrued expenses. NOTE 6.	20,598	20,435
19	Other current liabilities. NOTE 7.	10,283	8,247
20	Total current liabilities.	32,784	31,890
	Long-Term Debt:		
21	Due to affiliates. NOTE 8.	200,000	200,000
22	Other.	-	-
23	Deferred Credits.	-	-
24	Other Liabilities. NOTE 9.	123,881	143,812
25	Commitments And Contingencies. NOTE 1.	-	-
26	Total Liabilities.	356,665	375,702
27	Stockholders', Partners', or Proprietor's Equity. NOTE 10.	59,889	53,443
28	Total Liabilities And Equity.	\$ 416,554	\$ 429,145

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 and 2001

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	Revenues:		
1	Casino.	\$ 234,200	\$ 243,609
2	Rooms.	19,798	18,840
3	Food and beverage.	32,074	31,789
4	Other.	8,108	8,506
5	Total Revenues.	294,180	302,744
6	Less: Promotional allowances.	69,228	74,640 *
7	Net Revenues.	224,952	228,104
	Costs And Expenses:		
8	Cost of goods and services.	138,391	137,666
9	Selling, general, and administrative.	31,028	32,044 *
10	Provision for doubtful accounts.	1,403	1,512
11	Total Costs and Expenses.	170,822	171,222
12	Gross Operating Profit.	54,130	56,882
13	Depreciation and Amortization.	15,964	17,157
	Charges from affiliates other than interest:		
14	Management fees. NOTE 11.	7,731	8,003
15	Other.	-	-
16	Income (Loss) From Operations.	30,435	31,722
	Other Income (Expenses):		
17	Interest (expense)-affiliates.	(13,391)	(13,469)
18	Interest (expense)-external.	-	-
19	Investment alternative tax and related income (expense) - net.	(1,683)	(1,281)
20	Nonoperating income (expense) - net. NOTE 12.	302	(30)
21	Total Other Income (Expenses).	(14,772)	(14,780)
22	Income (Loss) Before Income Taxes And Extraordinary Items.	15,663	16,942
23	Provision (credit) for income taxes.	8,120	6,994
24	Income (Loss) Before Extraordinary Items.	7,543	9,948
25	Extraordinary items (net of income taxes - 20__, \$)	-	-
26	Net Income (Loss).	\$ 7,543	\$ 9,948

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

* Restated to conform to the 2002 presentation.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002 and 2001

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	Revenues:		
1	Casino.	\$ 83,893	\$ 83,649
2	Rooms.	7,626	7,200
3	Food and beverage.	11,794	11,653
4	Other.	3,128	3,450
5	Total Revenues.	106,441	105,952
6	Less: Promotional allowances.	25,656	25,009 *
7	Net Revenues.	80,785	80,943
	Costs And Expenses:		
8	Cost of goods and services.	48,288	46,774
9	Selling, general, and administrative.	9,617	10,039 *
10	Provision for doubtful accounts.	549	582
11	Total Costs and Expenses.	58,454	57,395
12	Gross Operating Profit.	22,331	23,548
13	Depreciation and Amortization.	5,295	5,820
	Charges from affiliates other than interest:		
14	Management fees. NOTE 11.	2,780	2,778
15	Other.	-	-
16	Income (Loss) From Operations.	14,256	14,950
	Other Income (Expenses):		
17	Interest (expense)-affiliates.	(4,457)	(4,488)
18	Interest (expense)-external.	-	-
19	Investment alternative tax and related income (expense) - net.	(659)	(451)
20	Nonoperating income (expense) - net. NOTE 12.	104	(96)
21	Total Other Income (Expenses).	(5,012)	(5,035)
22	Income (Loss) Before Income Taxes And Extraordinary Items.	9,244	9,915
23	Provision (credit) for income taxes.	5,495	4,050
24	Income (Loss) Before Extraordinary Items.	3,749	5,865
25	Extraordinary items (net of income taxes - 20__, \$)	-	-
26	Net Income (Loss).	\$ 3,749	\$ 5,865

The accompanying notes are an integral part of the financial statements.

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* Restated to conform to the 2002 presentation.

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND THE THREE MONTHS ENDED MARCH 31, 2002

(UNAUDITED)
(\$ IN THOUSANDS)

Amended

9/27/02

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated) (Deficit) (i)	Total Shareholder's Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2000.....	3,002,510	\$ 30		\$	\$ 123,421	\$	\$ (79,956)	\$ 43,495
2	Net Income (Loss) - 2001.....							8,851	8,851
3	Contribution to Paid-in Capital.....								
4	Dividends.....								
5	Prior Period Adjustments.....								
6									
7									
8									
9									
10	Balance, December 31, 2001.....	3,002,510	\$ 30		\$	\$ 123,421	\$	\$ (71,105)	\$ 52,346
11	Net Income (Loss) - 2002.....							(100)	(100)
12	Contribution to Paid-in Capital.....								
13	Dividends.....								
14	Prior Period Adjustments.....								
15									
16									
17									
18									
19	Balance, March 31, 2002.....	3,002,510	\$ 30		\$	\$ 123,421	\$	\$ (71,205)	\$ 52,246

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENT OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2002

(UNAUDITED)
(\$ IN THOUSANDS)

NOT APPLICABLE

Line (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2000. . . .				
2	Net Income (Loss) - 2001.				
3	Capital Contributions.				
4	Capital Withdrawals.				
5	Partnership Distributions.				
6	Prior Period Adjustments.				
7					
8					
9					
10	Balance, December 31, 2001. . . .				
11	Net Income (Loss) - 2002.				
12	Capital Contributions.				
13	Capital Withdrawals.				
14	Partnership Distributions.				
15	Prior Period Adjustments.				
16					
17					
18					
19	Balance, September 30, 2002. . . .				

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 and 2001

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
1	Net Cash Provided (Used) By Operating Activities.	\$ 28,468	\$ 25,728
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.	-	-
3	Proceeds from the sale of short-term investment securities.	-	-
4	Cash outflows for property and equipment.	(6,462)	(12,923)
5	Proceeds from disposition of property and equipment.	91	264
6	Purchase of casino reinvestment obligations.	(2,691)	(2,749)
7	Purchase of other investments and loans/advances made.	-	-
8	Proceeds from disposal of investment and collection of advances and long-term receivables.	-	-
9	Cash outflows to acquire business entities.	-	-
10	Increase in construction - related liabilities.	-	-
11		-	-
12	Net Cash Provided (Used) By Investing Activities.	(9,062)	(15,408)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.	-	-
14	Payments to settle short-term debt.	-	-
15	Cash proceeds from issuance of long-term debt.	-	-
16	Costs of issuing debt.	-	-
17	Payments to settle long-term debt.	-	-
18	Cash proceeds from issuing stock or capital contribution.	-	-
19	Purchases of treasury stock.	-	-
20	Payments of dividends or capital withdrawals.	-	-
21	Change in payable to affiliate.	(21,862)	(14,311)
22	Debt retirement costs.	-	-
23	Net Cash Provided (Used) By Financing Activities.	(21,862)	(14,311)
24	Net Increase (Decrease) In Cash And Cash Equivalents.	(2,456)	(3,991)
25	Cash And Cash Equivalents At Beginning Of Year.	22,233	22,496
26	Cash And Cash Equivalents At End Of Year.	\$ 19,777	\$ 18,505

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Year For:		
27	Interest (net of amount capitalized).	\$ 13,391	\$ 13,469
28	Income taxes paid (refunded) - net.	\$ 8,120	\$ 6,994

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 and 2001

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	Net Cash Flows From Operating Activities:		
29	Net income (loss)	\$ 7,543	\$ 9,948
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.	15,964	14,867
31	Amortization of other assets.	-	2,290
32	Amortization of debt discount or premium.	-	-
33	Deferred income taxes - current.	-	-
34	Deferred income taxes - noncurrent.	-	-
35	(Gain) loss on disposition of property and equipment.	(60)	320
36	(Gain) loss on casino reinvestment obligations.	1,683	1,281
37	(Gain) loss from other investment activities.	-	-
38	Net (increase) decrease in receivables and patrons' checks.	1,043	(1,377)
39	Net (increase) decrease in inventories.	447	276
40	Net (increase) decrease in other current assets.	(458)	219
41	Net (increase) decrease in other assets.	-	(162)
42	Net increase (decrease) in accounts payables.	(1,279)	(4,211)
43	Net increase (decrease) in other current liabilities excluding debt.	3,787	2,460
44	Net increase (decrease) in other noncurrent liabilities excluding debt.	(202)	(183)
45	Loss on extinguishment of debt, net of tax benefit of \$.	-	-
46	Amortization of CRDA assets	-	-
47	Net Cash Provided (Used) By Operating Activities.	\$ 28,468	\$ 25,728

SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.	\$ (6,462)	\$ (12,923)
49	Less: Capital lease obligations incurred.	-	-
50	Cash Outflows For Property And Equipment.	\$ (6,462)	\$ (12,923)
	Acquisition Of Business Entities:		
51	Property and equipment acquired.	\$ -	\$ -
52	Goodwill acquired.	-	-
53	Net assets acquired other than cash, goodwill, and property and equipment.	-	-
54	Long-term debt assumed.	-	-
55	Issuance of stock or capital invested.	-	-
56	Cash Outflows To Acquire Business Entities.	\$ -	\$ -
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.	\$ -	\$ -
58	Less: Issuances to settle long-term debt.	-	-
59	Consideration in acquisition of business entities.	-	-
60	Cash Proceeds From Issuing Stock Or Capital Contributions.	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	98,841	\$ 4,700		\$
2	Food	399,621	5,562		
3	Beverage	957,051	2,489		
4	Travel			15,992	721
5	Bus Program Cash	206,748	3,298		
6	Other Cash Complimentarie	366,353	8,615		
7	Entertainment	10,923	364	2,777	347
8	Retail & Non-Cash Gifts	1,240	476	3,417	971
9	Parking				
10	Other *	5,953	152	69,030	547
11	Total	2,046,730	\$ 25,656	91,216	\$ 2,586

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	280,224	\$ 12,377		\$
2	Food	1,120,524	14,755		
3	Beverage	2,682,122	6,974		
4	Travel			63,904	2,165
5	Bus Program Cash	582,515	9,471		
6	Other Cash Complimentarie	866,225	22,992		
7	Entertainment	34,575	1,017	6,923	865
8	Retail & Non-Cash Gifts	6,467	1,291	11,994	3,247
9	Parking				
10	Other *	14,026	351	186,637	1,551
11	Total	5,586,678	\$ 69,228	269,458	\$ 7,828

* No item in this category exceeds 5%.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and basis of presentation

The accompanying financial statements include the accounts of GNOC, Corp., a New Jersey corporation (the "Company"). The Company is a wholly owned subsidiary of Bally's Park Place, Inc., which owns and operates the casino hotel resort in Atlantic City, New Jersey known as Bally's Atlantic City ("Bally's Atlantic City"), which is a wholly owned subsidiary of Park Place Entertainment Corporation ("PPE"). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as the "Atlantic City Hilton." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Casino Control Commission Quarterly Report for the year ended December 31, 2001.

All adjustments to these financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets for the Company at September 30, 2002 and 2001, and its statements of income for the three and nine months ended September 30, 2002 and 2001 and its statements of cash flows for the nine months ended September 30, 2002 and 2001. All such adjustments were of a normal recurring nature.

Seasonal factors

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the nine months ended September 30, 2002 and 2001 are not necessarily indicative of the results of operations for the full year.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

Reclassifications

The financial statements for the prior year reflect certain reclassifications to conform with classifications adopted in 2002. The change in classifications had no effect on previously reported net income.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Revenue recognition and promotional allowances

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The statement of income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

In the first quarter of 2001, the Emerging Issues Task Forces ("EITF") reached a consensus on certain issues in EITF 00-22 "Accounting for 'Points' and Certain Other Time-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." EITF 00-22 requires that cash rebates or refunds as part of a customer loyalty program be shown as a reduction of revenues.

EITF 00-14 "Accounting for Certain Sales Incentives," which is effective January 1, 2002, focuses on the accounting for, and presentation of, discounts, coupons and rebates. EITF 00-14 requires that cash or equivalent amounts provided or returned to customers as part of a transaction should not be shown as an expense but should be an offset to the related revenue. The Company offers cash inducements and match-play coupons to customers to encourage visitation and play at the casino.

With the adoption of the new standards, the prior year period presented has been reclassified to conform to the new presentation. This resulted in an addition to promotional allowances (and a corresponding reduction in selling, general and administrative expenses) of \$11,913 and \$11,669, for the three months ended September 30, 2002 and 2001, respectively, and \$32,463 and \$38,604, for the nine months ended September 30, 2002 and 2001, respectively. The requirements of EITF 00-14 and EITF 00-22 do not have an impact on previously reported operating income or net income.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Property and equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$5,295 and \$5,057 for the three months ended September 30, 2002 and 2001, respectively, and \$15,964 and \$14,867 for the nine months ended September 30, 2002 and 2001, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

Costs in excess of acquired assets

In 1987, Bally Entertainment Corporation (formerly the parent of the Company) acquired the Company, other related properties and real estate leases in a transaction which was accounted for as a purchase.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life). The adoption of SFAS 142 had no effect on the Company's financial position and results of operations. During the nine months ended September 30, 2001, the Company recorded \$2,290 in goodwill amortization. Pursuant to SFAS 142, this goodwill amortization ceased on January 1, 2002. Prior to the adoption of SFAS 142, the excess of the total acquisition cost and debt assumed over the fair value of net assets acquired (goodwill) had been amortized on the straight-line method over forty years.

Long-lived assets

In August 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 supercedes existing accounting literature dealing with impairment and disposal of long-lived assets, including discontinued operations. It addresses financial accounting and reporting for the impairment of long-lived assets, and for long-lived assets to be disposed of, and expands current reporting for discontinued operations to include disposals of a "component" of an entity that has been disposed of or is classified as held for sale. The Company was required to adopt SFAS 144 effective January 2002. Implementation of this standard did not have a material impact on the Company's financial statements.

GNOG, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Fair values of financial instruments

The fair values of the Company's financial instruments including receivables, payables and debt, approximate their recorded book values at September 30, 2002 and 2001.

Income taxes

Taxable income or loss of the Company is included in the consolidated federal income tax return of PPE. The Company provides for income taxes by applying the respective state and federal statutory rates to the pre-tax financial statement income. The corresponding liability or receivable is credited or charged to PPE. Income tax assets and liabilities for permanent and temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by PPE.

Casino Reinvestment Development Authority

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

Allocations and transactions with related parties

The Company transfers cash in excess of its operating needs to PPE on a daily basis. PPE provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other PPE affiliates are consolidated, including limousine services, legal services, advertising, sales and marketing services, purchasing and other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable. In addition, the Company leases land from Bally's Atlantic City.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Advertising and Marketing Fee

Hilton Hotels Corporation charges the Company for certain hotel reservation services, and advertising and marketing support in accordance with the fees established for participation in Hilton Reservations Worldwide and the Hilton HHonors Programs, as well as a national and regional group advertising and sales promotions services fee equal to 1% of net room revenues.

NOTE 2 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of September 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Casino receivables (net of allowance for doubtful accounts – 2002, \$6,548; 2001, \$10,335)	\$ 6,173	\$ 6,988
Other (net of allowance for doubtful accounts – 2002, \$196; 2001, \$176)	2,749	1,862
Due from affiliates	<u>545</u>	<u>2,740</u>
	<u>\$ 9,467</u>	<u>\$ 11,590</u>

NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables consist of funds invested with the CRDA, net of related valuation reserves of \$6,427 and \$5,536 at September 30, 2002 and 2001, respectively.

The Company, Bally's Atlantic City and the CRDA entered into a credit exchange agreement and an investment agreement in 1998. The credit exchange agreement permits the exchange of certain current and future CRDA obligations between the Company and Bally's Atlantic City, resulting in a long-term payable to Bally's Atlantic City (See Note 9). The investment agreement provides an investment plan for the use of certain current and future CRDA funds. These agreements have accelerated the funding of credits due the Company under the aforementioned credit agreement.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Land	\$ 66,655	\$ 66,655
Buildings and improvements	312,224	308,048
Furniture, fixtures and equipment	159,641	152,422
Construction in progress	<u>3,771</u>	<u>6,621</u>
	542,291	533,746
Less accumulated depreciation and amortization	<u>(246,789)</u>	<u>(226,406)</u>
	<u>\$ 295,502</u>	<u>\$ 307,340</u>

NOTE 5 - OTHER ASSETS

Other assets as of September 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Cost in excess of acquired assets, less accumulated amortization of \$44,637 and \$43,873	\$ 76,839	\$ 77,602
Other	<u>162</u>	<u>162</u>
	<u>\$ 77,001</u>	<u>\$ 77,764</u>

NOTE 6 - OTHER ACCRUED EXPENSES

Other accrued expenses as of September 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Accrued payroll and benefits	\$10,340	\$ 9,550
Insurance claims	5,253	4,492
Other	<u>5,005</u>	<u>6,393</u>
	<u>\$20,598</u>	<u>\$20,435</u>

GNOG, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 7 - OTHER CURRENT LIABILITIES

Other current liabilities as of September 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Due to Bally's Atlantic City	\$ 1,746	\$ 1,465
Due to Caesars World Inc., Merchandising	3,087	1,412
Due to affiliates-other	978	1,010
Unredeemed slot promotions liability	2,404	2,559
Unredeemed chip and token liability	905	594
Other	<u>1,163</u>	<u>1,207</u>
	<u>\$10,283</u>	<u>\$ 8,247</u>

NOTE 8 - LONG-TERM DEBT - DUE TO AFFILIATES

Long-term debt - due to affiliates as of September 30 consist of the following:

	<u>2002</u>	<u>2001</u>
9% Note payable to Park Place Finance Corporation due January 1, 2009	<u>\$200,000</u>	<u>\$200,000</u>

In January 1999, the Company declared a \$200,000 distribution payable in the form of a note payable to Bally's Atlantic City. Bally's Atlantic City then immediately assigned the \$200,000 note payable to PPE. On July 1, 2000, PPE assigned the \$200,000 note payable to Park Place Finance Corporation. The note payable bears interest at a rate of 9% per annum, payable on the last business day of each quarter.

NOTE 9 - OTHER LIABILITIES

Other liabilities as of September 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Due to PPE	\$123,287	\$142,944
Due to Bally's Atlantic City (See Note 3)	<u>594</u>	<u>868</u>
	<u>\$123,881</u>	<u>\$143,812</u>

Due to PPE consists of an unsecured, non-interest bearing intercompany account.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 10 - STOCKHOLDER'S EQUITY

At September 30, 2002 and 2001, the Company had 5,000,000 shares of common stock authorized; of such shares 3,002,510 were issued and outstanding.

NOTE 11 - CHARGES FROM AFFILIATES - MANAGEMENT FEE

The Company and PPE have entered into an administrative services and management agreement. Under the agreement, PPE provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration for these services, the Company pays PPE a monthly management fee equal to three percent of revenues, as defined.

NOTE 12 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) for the three months ended September 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Interest income	\$ 76	\$ 89
Gain (loss) on disposal of equipment	<u>28</u>	<u>(185)</u>
	<u>\$ 104</u>	<u>\$ (96)</u>

Nonoperating income (expense) for the nine months ended September 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Interest income	\$ 242	\$ 290
Gain (loss) on disposal of equipment	<u>60</u>	<u>(320)</u>
	<u>\$ 302</u>	<u>\$ (30)</u>

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature

Assistant Vice President/Controller
Title

006243-11
License Number

On Behalf of:

GNOC, Corp. (Atlantic City Hilton)
Casino License